



EXECUTIVE CHAMBERS  
HONOLULU

NEIL ABERCROMBIE  
GOVERNOR

**HOUSE FINANCE COMMITTEE**  
**Representative Ryan I. Yamane, Chair**  
**Representative Dee Morikawa, Vice Chair**

**January 24, 2012**  
**10:00 am Room 308**

**Written Comments on HB 2114**  
**Relating to the Hawaii Health Insurance Exchange**

**Presented by Beth Giesting, Healthcare Transformation Coordinator**

Chair Yamane, Vice-Chair Morikawa, members of the Health Committee, the Office of the Governor has comments on House Bill 2114, Relating to the Hawaii Health Insurance Exchange, as follows:

Regarding the composition of the Hawaii Health Insurance Exchange:

- We appreciate and support the interest in increasing the participation of consumers and ensuring that all islands are represented on the board.
- We have concerns about the real or perceived conflict of interest in having health insurers and dental benefit providers sit on the policy-making board. At the same time, we value the contributions that these insurers have made so far in the development of the Hawaii Insurance Connector. It could be truly said that we could not have brought the Connector to its current state without the considerable expertise and time contributed by the insurers who serve on its board.
- The Governor stands ready to offer names for nominees in conformance with Legislative policy.

Regarding Offering the Basic Health Plan. The State is exploring the positives and negatives for beneficiaries, providers, and the State related to developing a "Basic Health Plan" or establishing the Insurance Connector as the only option for people with incomes between 133 and 200% of poverty. We would appreciate more time to work on this issue with the Committee and other interested parties.

Thank you for the opportunity to offer our comments.



94-450 Mokuola Street, Suite 106, Waipahu, HI 96767  
808.675.7300 | www.ohanahealthplan.com

Tuesday, January 24, 2012

To: The Honorable Ryan I. Yamane  
Chair, House Committee on Health

From: 'Ohana Health Plan

Re: House Bill 2114-Relating to the Hawaii Health Insurance Exchange

Hearing: Tuesday, January 24, 2012, 10:00 a.m.  
Hawai'i State Capitol, Room 329

---

Ohana Health Plan is managed by a local team of experienced health care professionals who embrace cultural diversity, advocate preventative care and facilitate communications between members and providers. Our philosophy is to place members and their families at the center of the health care continuum.

'Ohana Health Plan is offered by WellCare Health Insurance of Arizona, Inc. WellCare provides managed care services exclusively for government-sponsored health care programs serving approximately 2.4 million Medicaid and Medicare members nationwide. 'Ohana has been able to take WellCare's national experience and that of our local team to develop an 'Ohana care model that addresses local members' health care, long-term care and care coordination needs.

We appreciate this opportunity to testify in support of House Bill 2114-Relating to the Hawaii Health Information Exchange. Our comments of support will be limited to the establishment of a Basic Health Plan (BHP) option at this point in time.

We strongly support the adoption of a Basic Health Plan option (BHP). We believe that a BHP offers a high-quality, cost-effective mechanism for providing health coverage for low-income populations. Individuals and families under 200% of poverty frequently change jobs and often experience fluctuations in income. In the past, this meant that they churned, or moved back and forth, between public coverage like Medicaid and CHIP and uninsured status. Since BHP health plans can and should be designed to coordinate seamlessly with Medicaid and CHIP - using the same providers, rate schedules and health plans - BHP enrollees will be able to obtain uninterrupted care even if their source of coverage changes.

We recommend that Hawaii's BHP leverage its existing robust QUEST, QxEA and CHIP health plan community in order to allow families in which parents and children are eligible for varying affordability programs to maintain coverage in the same plan, rather than having parents and children divided between various coverage sources.

We recommend that the QUEST and QxEA plans be automatically deemed as approved BHP plans. Medicaid plans have significant experience serving low-income populations and contracting with essential community providers. Medicaid managed care plans are already subject to stringent licensing and certification processes that far exceed the minimum requirements set out in the Affordable Care Act to participate as a BHP provider. Automatic deeming of QUEST plans will reduce the administrative burden on the state and facilitate rapid implementation. To further simplify BHP implementation, we recommend that Hawaii establish a BHP by amending existing Quest, QxEA and CHIP managed care contracts. Building upon these existing infrastructures, BHP becomes a "turnkey" start-up, thus reducing administrative costs and improving seamless coordination with other programs.

Thank you for the opportunity to provide these comments.

# HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

January 24, 2012

The Honorable Ryan Yamane, Chair  
The Honorable Dee Morikawa, Vice Chair  
House Committee on Health

## Re: HB 2114 – Relating to Hawaii Health Insurance Exchange

Dear Chair Yamane, Vice Chair Morikawa and Members of the Committee:

Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 2114, Relating to the Hawaii Health Insurance Exchange. HMSA opposes this Bill as drafted.

Act 205, SLH 2011, establishes the nonprofit Hawaii Health Connector (Connector) as the State's health insurance exchange, in compliance with the federal Affordable Care Act (ACA). HB 2114 eliminates plan representation on the Connector's Board of Directors (Board) - an action that will be detrimental to the State's success in meeting the ACA's mandate of having a fully operational health insurance exchange by January 1, 2014. However, the states are required to submit their exchange plans to the federal government for review by the fall of this year so they may be approved by January 1, 2013, and executed by the 2014 deadline.

The current statute provides for the 15-member, Governor appointed, Senate confirmed, Board to be effective July 1, 2012. The statute also, specifies that, in addition to four State Cabinet representatives, the Board's membership "shall reflect geographic diversity and the diverse interests of stakeholders including consumer, employers, insurers, and dental benefit providers." (Emphasis added.)

The current statute also created an Interim Board that includes members from three plans. The Interim Board has been actively working since August, hiring an Executive Director, retaining legal counsel, and initiating the solicitation for proposals for an information technology consultant. The Interim Board participated with the State in drafting the recently approved \$14.4 million federal Level 1 Establishment Grant. And, the Interim Board has begun developing policy recommendations for the Legislature, and those are reflected in HB 1736, which has been referred to your Committee for consideration.

The current statute diminishes the potential for conflicts of interest by members of the Board by mandating the Insurance Commissioner, and not the Connector, to be responsible for determining eligibility for the inclusion of insurers and plans. Additionally, the Interim Board already has adopted policies governing conflicts of interests, as well as procurement policies. And, the statute also provides for the State Auditor to submit an annual audit of the Connector to the Insurance Commissioner, who transmits that report to the Legislature.

Given the time and effort that has already been expended in establishing the Connector, and given the extremely tight timeline facing the Connector and the State to meet the federal deadlines, it would make sense for the current Interim Board to continue as members of the permanent Board. **The current statute requires the Governor to make those Board appointments by February 1, 2012 – eight days from today.**

In summary, eliminating plans from membership on the Board absolutely does not make sense:

- (1) The current statute and policies of the Connector address the potential for conflicts of interest.
- (2) The Insurance Commissioner will determine eligibility for plans to participate in the Connector.
- (3) The State Auditor will report annually to the Insurance Commissioner and her report will be transmitted to the Legislature.
- (4) Creating a state exchange is molding a new health insurance marketplace. That demands participation by the plans.
- (5) The mandated deadlines require the Connector to submit its proposed plan of operation to the Department of Health and Human Services by the fall of 2012 – this year. Disrupting the composition of the Board jeopardizes the Connector's ability to succeed.
- (6) The Committee has been referred changes to current statute (HB 1736) proposed by the Connector. We request any additional amendments to the Connector statute be considered along with the Connector's recommendations.
- (7) While this Bill, HB 2114, is being considered, the Governor is already poised by current statute to appoint the members of the Board by February 1, 2012.

Thank you for the opportunity to testify today. We ask that the provision eliminating plan membership on the Connector Board be struck from the legislation.

Sincerely,



Mark K. Oto  
Director  
Government Relations



## THE OFFICIAL SPONSOR OF BIRTHDAYS.™

January 23, 2012

House Committee on Health  
Representative Ryan Yamane, Chair  
Representative Dee Morikawa, Vice Chair

### Hearing:

State Capitol Room 329  
January 24, 2012, 10:00 a.m.

### **HB 2114 – Relating to the Hawaii Health Insurance Exchange**

Thank you for the opportunity to testify in support of HB 2114 with suggested amendments. HB 2114 provides for consumer protections for the Hawaii Health Insurance Exchange board of directors and establishes the basic health plan program.

The American Cancer Society is the nationwide, community-based, voluntary health organization dedicated to eliminating cancer as a major health problem by preventing cancer, saving lives, and diminishing suffering from cancer, through research, education, advocacy, and service. Providing access to health care is a major concern of the Society.

The American Cancer Society supports legislation that provides for adequate representation of consumers within the health exchange. While this measure further increases consumer participation, it is still unclear as to the number of consumer members appointed to the board in relation to representation from the other stakeholders. In order to clarify this issue, we respectfully request that this committee consider strengthening the consumer representation on the connector board by requiring a set number of consumer members appointed to the board.

We also want to express concerns with the implementation of the Basic Health Plan (BHP) program since implementation of the program will affect the insurance exchange. Although the BHP program may lower costs, those cost savings come at the expense of having a smaller pool to spread the administrative costs of the exchange.<sup>1</sup> In addition, there are other proposals which create two exchange risk pools: an individual market and small group market. In

---

<sup>1</sup> See Stan Dorn, *The Basic Health Program Option under Federal Health Reform: Issues for Consumers and States*, State Coverage Initiatives by the Urban Institute, March 2011, at 11.

combination with the BHP program the size of these exchange pools will be even further contracted.

HB 2114 is a step in the right direction for the Hawaii Health Insurance Exchange. Thank you for allowing us the opportunity to provide this testimony on this measure.

Sincerely,

A handwritten signature in black ink that reads "Cory Chun". The signature is written in a cursive style with a horizontal line extending to the right.

Cory Chun  
Government Relations Director



**HPCA**

HAWAII PRIMARY CARE ASSOCIATION

**House Committee on Health**

The Hon. Ryan I. Yamane, Chair

The Hon. Dee Morikawa, Vice Chair

**Testimony in Support of House Bill 2114**  
**Relating to the Hawaii Health Insurance Exchange**  
**Submitted by Robert Hirokawa, Chief Executive Officer**  
**January 24, 2012, 10:00 a.m., Room 329**

The Hawai'i Primary Care Association, which represents community health centers in Hawai'i, **strongly supports House Bill 2114**, a bill which recognizes the true intent of the Affordable Care Act's health insurance exchange provision. This bill clarifies and codifies the role of consumers in the health insurance exchange board, removes clear conflicts of interest present in the existing exchange board structure, and addresses the potential coverage status of thousands who will soon have their Med-QUEST dropped.

Health insurance exchange boards are ultimately responsible for certifying whether health plans are able to participate in the process, and also to ensure that plan rates are not unreasonable. There is a natural conflict of interest, then, to have potential financial beneficiaries of these decisions – that is, the health plans themselves – sitting on the exchange board in a permanent capacity. This is why regulations drafted by the federal Department of Health and Human Services specifically emphasized the role of consumers, and why twenty one (21) other states forbid insurers and their agents from serving on the insurance exchange board.

There is no doubt that the level of expertise Hawai'i's health plans possess can help make the health insurance exchange in our state strong, viable, and responsive. Including health plans in an advisory capacity, also as recommended by the Department of Health and Human Services, would ensure that their guidance can be considered without running afoul of the true intent of this important body's work.

We urge you to pass this measure out of committee and thank you for the opportunity to testify.



# Hawaii Health Connector

P.O. Box 3767  
Honolulu, HI 96812

## COMMITTEE ON HEALTH

January 24, 2012 10:00 a.m.

State Capitol, Conference Room 329

Representative Ryan Yamane, Chair

Representative Dee Morikawa, Vice-Chair

### Comments Provided in Response to HB 2114

Chair Yamane, Vice-Chair Morikawa and Members of the Committee,

My name is Coral Andrews, Executive Director of the Hawaii Health Connector. Thank you for the opportunity to provide comments in response to HB 2114. The Hawaii Health Connector, as you are aware, was established during the 2011 State Legislative Session as SB 1348 SD2 HD3 CD1 and subsequently signed into law on July 8, 2011 as Act 205. The Connector is governed by an interim Board that was established by Act 205 and I have been serving as the Executive Director since December 5, 2011.

Since the establishment of the interim Board, its priority was to seek Level 1 exchange establishment funding via a grant application to the Department of Health and Human Services' and to do so before the published deadline (September 2011). Their efforts subsequently resulted in a \$14.4M award to DCCA in November 2011. Prior to that, Hawaii had received a \$1M planning grant to support planning activities. These funding sources contribute to the overall planning and establishment activities of the Connector.

For today's hearing, I will focus my comments on the three provisions included in HB 2114:

**Basic Health Plan:** The Interim Board has acknowledged during their meetings that the Affordable Care Act includes a provision for states to establish a Basic Health Plan (BHP). In addition, they have discussed the possibility of utilizing planning grant monies to research the pros/cons of establishing a BHP in Hawaii. A final decision has not been made as more discussion and research is required to adequately assess the benefit of a BHP in our marketplace and what impact the establishment of a BHP will have on the individual and small group markets served by the insurance exchange.

A Request for Information (RFI) was issued last Fall by the Department of Health and Human Services in an effort to receive input on the Basic Health Plan Option as described in the Affordable Care Act. I have reached out to HHS for feedback on the comments received through the RFI. Additionally, the Urban Institute published a report in September 2011 entitled "Using the Basic Health Program to Make Coverage More Affordable to Low-Income Households: A Promising Approach for Many States." The report provides a methodology that could be useful to Hawaii in completing an analysis of the pros/cons of implementing a BHP in Hawaii. The key factor that states need to assess is whether or not the implementation of the BHP will reduce the size of the exchange

volume/utilization. The interim Board has not formulated a recommendation regarding the BHP as more research is needed in order to provide objective data whereby a decision can be made. Financial considerations: the Notice of Grant Award in the Level 1 establishment funding to Hawaii outlines under #12, page 6 of the award the following: “ Basic Health Program. Exchange Establishment Cooperative Agreement Funds cannot be used by the state for the purpose of applying for a waiver of the Exchange requirements. To the extent that there are Exchange establishment activities that would need to be coordinated with or overlap with activities undertaken pursuant to sections 1331 and 1332 (ACA), Establishment Cooperative Agreement funding could be available for those activities. However, funding under the Establishment Cooperative Agreements may not be used solely for waiver activities, the Basic Health Program or investigation of the feasibility of those options.” Therefore, the language included in HB 2114 pertaining to the exchange mandate to implement the BHP is currently an unfunded obligation.

**Proposed changes to the Board composition:** The Interim Board has not had the opportunity to review and formulate a recommendation regarding the proposed changes to the composition of the permanent Board. Therefore, I am not prepared at this time to take a position on the changes proposed in HB 2114.

**Definition of Consumer:** the definition of consumer as proposed in HB 2114 is more restrictive than the anticipated consumer population that would be accessing the Connector’s web portal. I recommend that the definition of consumer be left broad and that it reflect an individual who receives benefits through the health insurance exchange. This is more consistent with the conceptual design of the exchange.

Thank you for the opportunity to provide comments on HB 2114.

**morikawa2 - Grant**

---

**From:** Kamahanahokulani Farrar [kamahanahokulani@gmail.com]  
**Sent:** Monday, January 23, 2012 11:30 AM  
**To:** HLTtestimony  
**Subject:** support of HB 2114

From:  
D. Kamahanahokulani Farrar, Resident & Voter  
85-101 Kaulawaha Road  
Waianae, Hawaii 96792

To:  
COMMITTEE ON HEALTH  
Rep. Ryan I. Yamane, Chair  
Rep. Dee Morikawa, Vice Chair

Hearing: January 24, 2012 at 10am  
Measure: HB 2114

Aloha,  
**I am submitting testimony in support of HB 2114.**

Thank you for ensuring health insurance exchanges (HIE) in Hawaii are developed to benefit consumers. My support of HB 2114 also ensures our HIE design will assist people in having access to, and information regarding, quality health care.

I support the operation of our HIE to be governed by a majority of consumers on the health insurance exchange boards. I strongly insist that health plans do not sit on boards but may assist in an advisory capacity (advisory panels, work groups etc.)

I also strongly support the Basic health plan to provide health care for those earning between 133% - 200% of the federal poverty level. Many in this income group will lose their health care when the State reduces our Medicaid eligibility threshold to 133% this year as a way of implementing a \$150 million cut to Medicaid funding.

Thank you for this opportunity to share my support of HB 2114.

via email from [Kamahanahokulani@gmail.com](mailto:Kamahanahokulani@gmail.com)